SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION

ANNUAL REPORT

Period Ended
December 31,

1 9 8 9

90-07377/

Letter of Transmittal

The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Saskatchewan Government Growth Fund Management Corporation for the year ended December 31, 1989, including financial statements for the year duly certified by Deloitte & Touche and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act.

I have the honour to be, Madam,

Your obedient servant,

Jack Klein
Minister of Trade
and Investment

Chairman's Report

1989 marked the establishment of the Saskatchewan Government Growth Fund Management Corporation (SGGFMC) in January as well as establishment of the corporation's wholly owned subsidiary, the Saskatchewan Government Growth Fund Ltd. (SGGF).

SGGF commenced selling units of $150,000, four per cent redeemable retractable preferred shares under the Immigrant Investor Program of the Federal Department of Employment and Immigration.

Sales of units are available to people on a global basis through a network of sales agents. To December 31, 1989, close to half the units approved for sale by SGGF have been sold showing that the company is well on its way to achieving sales of its total 240 unit offering.

While funds have been raised, frustration has occurred as a result of the long delays being experienced by SGGF's immigrant investors in receiving their visas from Employment and Immigration Canada. Because of these delays, SGGF has been unable to issue preferred shares, thereby making funds available to make loans.

It is the intention of SGGF, under the management and recommendation of SGGFMC, to make secured loans to Saskatchewan-based business with particular emphasis on companies engaged in value-added processing with an export orientation.

Don Wright
Chairman

Auditors' Report

he Members of the Legislative Assembly

Ve have examined the consolidated statement of nancial position of Saskatchewan Government Growth und Management Corporation as at December 31, 989 and the consolidated statements of income and tained earnings and changes in financial position for e period then ended. Our examination was made in ccordance with generally accepted auditing standards, nd accordingly included such tests and other rocedures as we considered necessary in the rcumstances.

In our opinion, these consolidated financial statements resent fairly the financial position of the corporation as December 31, 1989 and the results of its consolidated perations and the changes in its financial position for e period then ended in accordance with generally ccepted accounting principles.

DELOITTE & TOUCHE

egina, Saskatchewan
arch 19, 1990

Chartered Accountants

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION

Consolidated Statement of Financial Position

As at December 31, 1989

Assets

Cash and short-term deposits	$	298,560
Accrued interest receivable		259,752
Cash and short term deposits held in escrow (note 3)		18,016,895
	$	18,575,207

Liabilities

Accounts payable and accrued liabilities	$	54,816
Accrued interest payable (note 3)		266,910
Preferred share subscription deposits (note 3)		17,749,985
		18,071,711

Province of Saskatchewan's equity

Equity advance (note 4)	1
Retained earnings	503,495
	503,496
Contingency (note 6)	
$	18,575,207

See accompanying notes to financial statements.

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION

Consolidated Statement of Income and Retained Earnings

Period ended December 31, 1989

Revenue:		
Interest	$	831,023
		831,023
Expenses:		
Interest		267,237
Administrative		60,291
		327,528
Net income comprising retained earnings, end of period (note 5)	$	503,495

See accompanying notes to financial statements.

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION

Consolidated Statement of Changes in Financial Position

Period ended December 31, 1989

Operating activities:		
Net income	$	503,495
Net changes in non-cash balances relating to operations:		
Accrued interest receivable		(259,752)
Accounts payable and accrued liabilities		54,816
Accrued interest payable		266,910
Cash provided by operating activities		565,469
Financing activities:		
Proceeds from preferred share subscriptions		17,749,985
Equity advance		1
Cash provided by financing activities		17,749,986
Increase in cash and short-term deposits for the period comprising cash and short-term deposits, end of period	$	18,315,455
Cash and short-term deposits, end of period is made up of:		
Cash and short-term deposits	$	298,560
Cash and short term deposits held in escrow		18,016,895
	$	18,315,455

See accompanying notes to financial statements.

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

December 31, 1989

1. **Status of the Corporation:**

Under the authority of an Order-in-Council, the Corporation was established in January 1989 for the purpose of establishing and managing the Saskatchewan Government Growth Fund Ltd. (SGGF), a wholly owned subsidiary. SGGF was established in January 1989 and has issued a confidential offering memorandum that constitutes a Provincial Government administered venture capital fund under the Federal Government's Immigrant Investor Program. This offering consists of a minimum of 10 and a maximum of 240 units, each unit representing 150,000 preferred shares at $1 per share.

Under the terms of the confidential offering memorandum, SGGF will invest in secured loans to Saskatchewan-based businesses. Although SGGF has entered into negotiations with such businesses and significant potential loan commitments exist, no approvals of such loans have been given by SGGF's directors to date.

2. **Significant accounting policies:**

Consolidation principles:

The consolidated financial statements include the accounts of the Corporation's wholly-owned subsidiary, Saskatchewan Government Growth Fund Ltd. (SGGF). All significant inter-company transactions have been eliminated.

Marketing expenses:

According to the terms of a marketing agreement entered into by SGGF, a commission is payable to the independent marketing agent selling the unit. This commission is payable upon the issuance of the preferred share and accordingly will be accounted for as a share issuance cost at that time.

Accrued Interest Payable:

SGGF has accrued interest on its preferred share subscription deposits at an annual rate of four per cent from the date of deposit.

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION

Notes to Consolidated Financial Statements

December 31, 1989

3. **Deposits held in escrow and preferred share subscription deposits:**

As at December 31, 1989, $17,749,985 in preferred share subscription deposits have been received by SGGF. Under the terms of the confidential offering memorandum, these funds are held in escrow in accordance with Employment and Immigration Canada program requirements. When immigrant investors receive their visas, the preferred shares will be issued, and interest accruing at an annual rate of four per cent from the date of deposit is payable to the investor. If the investor's visa is rejected the preferred share subscription deposit is repaid, along with interest calculated at an annual rate of four per cent from the date of deposit.

4. **Share capital:**

The Corporation received an equity advance of $1 from the Province of Saskatchewan during the current year. The advance is non-interest bearing and repayable at the discretion of the Treasury Board.

SGGF is authorized to issue an unlimited number of four per cent, cumulative, redeemable, retractable preferred shares and an unlimited number of common shares. To December 31, 1989, no preferred shares have been issued.

The preferred share units are redeemable at the option of the holder after a three year ownership period for $112,500 plus unpaid dividends subject to the provisions of the Saskatchewan Business Corporations Act. The preferred shares are both redeemable and retractable after a five year ownership period for $150,000 plus unpaid dividends.

5. **Income taxes:**

As at December 31, 1989, the Corporation was a Provincially-owned Crown Corporation and accordingly is income tax exempt.

6. **Contingent liabilities:**

Under the terms of the confidential offering memorandum, SGGF is liable for the repayment of preferred share subscription deposits, plus accrued interest, to any investors not receiving an immigration visa. Additionally, under the terms of a marketing agreement SGGF is liable to pay sales commissions at the time of the preferred share issuance.

Corporate Data

Address:

1. Saskatchewan Government Growth Fund
   Management Corporation
   10th Floor, 1919 Saskatchewan Drive
   Regina, Saskatchewan, Canada
   S4P 3V7

2. Saskatchewan Government Growth Fund Ltd.
   9th Floor, 1919 Saskatchewan Drive
   Regina, Saskatchewan, Canada
   S4P 3V7

   a) Legal Counsel
      McDougall, Ready
      700 Royal Bank Building
      2010 - 11th Avenue
      Regina, Saskatchewan S4P 0J3

   b) Escrow Agent
      Bank of Montreal
      1800 Scarth Street
      Regina, Saskatchewan S4P 2G3

   c) Auditors
      Deloitte & Touche
      Chartered Accountants
      Suite 1700 - 1874 Scarth Street
      Regina, Saskatchewan S4P 4B3

   d) Distribution Agent
      Nexus Marketing Corp.
      714-363 Broadway
      Winnipeg, Manitoba R3C 3N9

   e) Transfer Agent
      Royal Trust Corporation of Canada
      2201 - 11th Avenue
      Regina, Saskatchewan S4P 2B8